

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Decatur-Hamilton Joint Fire Department	County Van Buren
Fiscal Year End June 30, 2007	Opinion Date October 24, 2007	Date Audit Report Submitted to State November 9, 2007	

We affirm that:

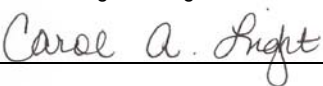
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-----|-------------------------------------|--------------------------|---|
| 1. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| 2. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| 3. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| 4. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has adopted a budget for all required funds. |
| 5. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute. |
| 6. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| 7. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| 8. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit only holds deposits/investments that comply with statutory requirements. |
| 9. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| 10. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| 11. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is free of repeated comments from previous years. |
| 12. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The audit opinion is UNQUALIFIED. |
| 13. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| 14. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute. |
| 15. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	None	
Other (Describe)	<input type="checkbox"/>	None	
Certified Public Accountant (Firm Name) Yeo & Yeo, P.C.		Telephone Number 269-329-7007	
Street Address 710 E Milham		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 	Printed Name Carol A. Light		License Number 1101020083

**Decatur-Hamilton Joint Fire Department
Van Buren County**

**Annual Financial Statements
and
Auditors' Report**

June 30, 2007

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Decatur-Hamilton Joint Fire Department
List of Elected and Appointed Officials
June 30, 2007

Board Members

Carl Druskovich	Chairman
Terry Newell	Vice Chairman
Martin Super	Secretary
James Creagan	Treasurer
Carl Wickett	Member
Daniel McKeeby	Member
Joe Parish	Member



710 E. Milham
Kalamazoo, MI 49002
Phone (269) 329-7007 / (800) 375-3968
Fax (269) 329-0626

Independent Auditors' Report

Members of the Board
Decatur-Hamilton Joint Fire Department

We have audited the accompanying financial statements of the governmental activities, and general fund, of the Decatur-Hamilton Joint Fire Department as of and for the year ended June 30, 2007, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and general fund of Decatur-Hamilton Joint Fire Department as of June 30, 2007 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
October 24, 2007

Decatur-Hamilton Joint Fire Department
Management's Discussion and Analysis
June 30, 2007

The management of the Decatur-Hamilton Joint Fire Department (the Department) provides a narrative overview of the Department's financial activities for the fiscal year that ended on June 30, 2007. Please read it in conjunction with the Department's financial statements.

FINANCIAL HIGHLIGHTS

- The Department's total net assets increased by \$83,434 (9.6 percent) as a result of this year's activities.
- Of the \$956,741 total net assets reported, \$153,672 is unrestricted, or available to be used at the Department's discretion.
- The Operating Fund's fund balance at the end of the fiscal year was \$153,672, which represents 35 percent of the actual total Operating Fund expenditures for the current fiscal year.

Overview of the financial statements

The Department's basic financial statements are comprised of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Department:

- The statement of net assets and the statement of activities are government-wide financial statements that provide both long-term and short-term information about the Department's overall financial status.
- The governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance are fund financial statements that tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide financial statements

The government-wide financial statements report information about the Department as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Department's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

Decatur-Hamilton Joint Fire Department
Management's Discussion and Analysis
June 30, 2007

The two government-wide statements report the Department's net assets and how they have changed. Net assets (the difference between the Department's assets and liabilities) is one way to measure the Department's financial health or position.

- Over time, increases or decreases in the Department's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Department, consideration must be given to additional non-financial factors such as changes in the Department's intergovernmental support and the condition of the Department's capital assets.

The government-wide financial statements are shown in a single category, since the Department provides one basic governmental service – fire protection.

Fund financial statements

The fund financial statements provide more detailed information about the Department's sole fund – not the Department as a whole. Funds are accounting devices that the Department uses to keep track of specific sources of funding and spending for particular purposes.

The Department has one fund, which focuses on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and, (2) the balances left at yearend that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Department's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explain the relationship between them.

FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE

Net Assets. Total net assets at the end of the fiscal year were \$956,741, an increase of 9.6 percent compared to the prior year. Of this total, \$803,069 is invested in capital assets. Consequently, unrestricted net assets were \$153,672, or 16 percent of the total.

Decatur-Hamilton Joint Fire Department
Management's Discussion and Analysis
June 30, 2007

Condensed financial information
Net Assets

	June 30, <u>2007</u>	<u>2006</u>
Assets		
Current assets	\$ 153,672	\$ 371,511
Capital assets	<u>803,068</u>	<u>520,090</u>
Total assets	<u>956,741</u>	<u>891,601</u>
 Current liabilities	 <u>-</u>	 <u>18,294</u>
 Net assets		
Invested in capital assets	803,069	520,090
Unrestricted	<u>153,672</u>	<u>353,217</u>
 Total net assets	 <u>\$ 956,741</u>	 <u>\$ 873,307</u>

Changes in net assets. The Department's total revenues are \$227,799. Over 96 percent of the Department's revenues come from intergovernmental support.

Condensed financial information
Changes in Net Assets

	June 30, <u>2007</u>	<u>2006</u>
Program revenues		
Intergovernmental support	\$ 220,380	\$ 208,560
Other	<u>7,419</u>	<u>6,629</u>
Total program revenues	<u>227,799</u>	<u>215,189</u>
Expenses		
Public safety - fire protection	<u>144,365</u>	<u>153,443</u>
 Increase in net assets	 <u>\$ 83,434</u>	 <u>\$ 61,746</u>

Decatur-Hamilton Joint Fire Department
Management's Discussion and Analysis
June 30, 2007

Governmental activities

Governmental activities increased the Department's net assets by \$83,434. Key factors for this increase are as follows:

- Operating costs, exclusive of depreciation, should approximate 80% of intergovernmental support, or \$176,300. To the extent such costs are below the targeted 80%, there will be an increase in net assets. In 2007, operating costs, exclusive of depreciation and capital outlays, were significantly below the targeted 80%, thus generating an operating surplus.
- The remaining 20% of support, or \$44,000, is intended to fund capital asset costs. To the extent annual provision for depreciation is less than the remaining support, there will be an increase in net assets. The 2007 provision for depreciation exceeded the remaining 20% of support by approximately \$23,400.

FINANCIAL ANALYSIS OF THE DEPARTMENT'S FUND

Governmental fund

As of the end of the current fiscal year, the Department's sole governmental fund reported a fund balance of \$153,672, a decrease of \$199,545, in comparison with the prior year. This decrease is due to the purchase of a new squad car.

The entire fund balance at yearend is available for spending at the Department's discretion.

General fund budgetary highlights

The budget was amended during 2007. Actual revenues exceeded their budgeted amounts by approximately \$23,300. Also, the Department budgeted \$224,000 less in expenditures than actual, primarily due to new equipment purchased this year which was not included in the budget.

The General Fund is the only fund of the Department. At the end of the fiscal year, unreserved fund balance was \$153,672, which represents 35 percent of the actual total Operating Fund expenditures for the current fiscal year.

Capital assets

The Department's investment in capital assets for its governmental activities as of June 30, 2007, amounts to \$803,069 (net of accumulated depreciation). This investment includes various assets including vehicles, fire fighting equipment, and building. The increase in the Department's net investment in capital assets for the current fiscal year was \$282,978.

**Decatur-Hamilton Joint Fire Department
Management's Discussion and Analysis
June 30, 2007**

Capital asset events during the current fiscal year included the acquisition of squad car and other equipment.

More detailed information about the Department's capital assets is presented in Note 4 of the notes to the basic financial statements.

Economic condition and outlook

The Department's Operating Fund budget for the next year projects no increase in spending. A stagnant economy and no substantial revenue increase require that the Department maintain conservative expenditure trends.

Contacting the Department's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Department's finances and to demonstrate the Department's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Jim Creagan, Treasurer
Decatur-Hamilton Joint Fire Department
124 Phelps Street
P.O. Box 5
Decatur, MI 49045

Telephone: 269.423.7014

Decatur-Hamilton Joint Fire Department
Statement of Net Assets
June 30, 2007

	Governmental Activities
Assets	
Cash	\$ 125,226
Taxes receivable	9,645
Prepaid insurance	18,800
Capital assets not being depreciated	16,000
Capital assets - net of accumulated depreciation	<u>787,069</u>
 Total assets	 <u>956,740</u>
 Net assets	
Invested in capital assets, net of related debt	803,069
Unrestricted	<u>153,671</u>
 Total net assets	 <u><u>\$ 956,740</u></u>

See Accompanying Notes to the Financial Statements

Decatur-Hamilton Joint Fire Department
Statement of Activities
For the Year Ended June 30, 2007

	<u>Expenses</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Functions/Programs		<u>Governmental Activities</u>
Governmental activities		
Health and welfare - fire protection	\$ 144,366	\$ (144,366)
General revenues		
Intergovernmental support		220,380
Unrestricted investment earnings		4,551
Miscellaneous		2,868
Total general revenues		227,799
Change in net assets		83,433
Net assets - beginning of year		873,307
Net assets - end of year		\$ 956,740

See Accompanying Notes to the Financial Statements

Decatur-Hamilton Joint Fire Department
Governmental Funds
Balance Sheet
June 30, 2007

	<u>General</u>
Assets	
Cash	\$ 125,226
Taxes receivable	9,645
Prepaid insurance	<u>18,800</u>
 Total assets	 <u>\$ 153,671</u>
 Fund Balances	 <u>\$ 153,671</u>

See Accompanying Notes to the Financial Statements

Decatur-Hamilton Joint Fire Department
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
June 30, 2007

Total fund balances for governmental funds	\$ 153,671
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Total net assets for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>803,069</u>
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Net assets of governmental activities	<u>\$ 956,740</u>
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See Accompanying Notes to the Financial Statements

Decatur-Hamilton Joint Fire Department
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2007

	<u>General</u>
Revenues	
Intergovernmental support	
Decatur Township	\$ 136,050
Hamilton Township	84,330
Total intergovernmental support	<u>220,380</u>
Other	<u>7,419</u>
Total revenues	<u>227,799</u>
Expenditures	
Health and welfare - fire protection	77,010
Capital outlay	<u>350,335</u>
Total expenditures	<u>427,345</u>
Net change in fund balance	(199,546)
Fund balance - beginning of year	<u>353,217</u>
Fund balance - end of year	<u>\$ 153,671</u>

See Accompanying Notes to the Financial Statements

Decatur-Hamilton Joint Fire Department
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

Net change in fund balances - Total governmental funds	\$ (199,546)
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Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(67,357)
Capital outlay	<u>350,336</u>

Change in net assets of governmental activities	\$ <u>83,433</u>
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Decatur-Hamilton Joint Fire Department
Notes to Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Decatur-Hamilton Joint Fire Department (the Department) conform to United States generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

Reporting entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Department. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Department has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Department's financial statements. Also, the Department is not a component unit of any other entity.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all activities of the Department. Currently, all activities of the Department are classified as governmental activities, primarily supported by intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from

goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Intergovernmental support and other items not properly included among program revenues are reported instead as *general revenue*.

Financial statements are provided for the sole governmental fund as separate columns in the basic financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources, measurement focus*, and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Intergovernmental revenues are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources, measurement focus*, and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Decatur-Hamilton Joint Fire Department
Notes to Financial Statements
June 30, 2006

State grants, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Department reports a single major governmental fund, the General Fund, which accounts for all financial resources of the Department.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenue* rather than as program revenue. Likewise, general revenue includes all intergovernmental support.

Assets, liabilities, and net assets or equity

Bank Deposits – cash consists of demand deposits and savings accounts.

Prepaid Items – certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – capital assets, which consist of vehicles, emergency response equipment and building, are reported in the government-wide financial statements. Capital assets are defined by the Department as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Building and improvements	40 years
Vehicles	15 to 20 years
Equipment	5 to 15 years

Fund Equity – In the fund financial statements, the Operating Fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 - Stewardship, Compliance, Accountability

Budgetary information

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the Operating Fund. The budget document presents information by function and line items. The legal level of budgetary control adopted by the governing body is the line item level. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Decatur-Hamilton Joint Fire Department
Notes to Financial Statements
June 30, 2006

Note 3 - Deposits and Investments

At yearend the Department's deposits and investments were reported in the basic financial statements in the following categories:

Cash and Cash Equivalents

Governmental activities \$ 125,226

The breakdown between deposits and investments is as follows:

Bank deposits (checking and savings
accounts, certificates of deposit) \$ 125,226

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

Credit risk – State statutes and the government's investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Department is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The Department has no policy that would limit the amount that may be issued in any one issuer.

Custodial risk – deposits – In the case of deposits, this is the risk that in the event of bank failure, the Department's deposits may not be returned to it. The Department does not have a policy for custodial credit risk. As of yearend, \$25,369 of the Department's bank balances of \$125,369 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Capital Assets

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Building	\$ 150,475	\$ 37,559	\$ -	\$ 188,034
Vehicles	626,930	294,398	-	921,328
Equipment	178,773	18,378	-	197,151
Total capital assets being depreciated	956,178	350,335	-	1,306,513
Less accumulated depreciation for:				
Building	72,078	4,857	-	76,935
Vehicles	279,171	44,582	-	323,753
Equipment	100,838	17,918	-	118,756
Total accumulated depreciation	452,087	67,357	-	519,444
Capital assets being depreciated, net	504,091	282,978	-	787,069
Capital assets not being depreciated - land	16,000	-	-	16,000
Net capital assets	\$ 520,091	\$ 282,978	\$ -	\$ 803,069

Decatur-Hamilton Joint Fire Department
Notes to Financial Statements
June 30, 2006

Note 5 - Risk Management

The Department is exposed to various risks of loss due to general liability, property and casualty, and workers' compensation potential claims. The risks of loss arising from general liability up to \$1,000,000 aggregate, building contents and property damage, and workers' compensation coverage are managed through purchased commercial insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

Decatur-Hamilton Joint Fire Department
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Intergovernmental support				
Decatur Township	\$ 118,842	\$ 118,842	\$ 136,050	\$ 17,208
Hamilton Township	77,953	77,953	84,330	6,377
Total intergovernmental support	<u>196,795</u>	<u>196,795</u>	<u>220,380</u>	<u>23,585</u>
Interest income	3,686	3,700	4,551	851
Other revenue	3,990	4,000	2,868	(1,132)
Total revenues	<u>204,471</u>	<u>204,495</u>	<u>227,799</u>	<u>23,304</u>
Expenditures				
Health and welfare - fire protection				
Repairs and maintenance				
Vehicle	19,348	14,000	13,998	(2)
Building	9,214	44,310	6,747	(37,563)
Equipment	4,715	2,800	369	(2,431)
Communications	3,048	690	688	(2)
Small equipment purchases	10,000	10,000	7,117	(2,883)
Insurance	3,922	22,200	19,228	(2,972)
Supplies	9,266	5,000	4,229	(771)
Contract services	6,180	6,000	6,000	-
Utilities	6,166	6,500	5,641	(859)
Salaries	1,236	12,200	1,200	(11,000)
Transportation	294	3,500	3,386	(114)
Fuel	2,430	3,000	2,318	(682)
Audit	3,523	3,600	2,940	(660)
Telephone	2,058	2,200	2,023	(177)
Professional fees	-	-	1,126	1,126
Total fire protection	<u>81,400</u>	<u>136,000</u>	<u>77,010</u>	<u>(58,990)</u>

Decatur-Hamilton Joint Fire Department
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Capital outlay	\$ 15,000	\$ 67,000	\$ 350,335	\$ 283,335
Total expenditures	96,400	203,000	427,345	224,345
Change in fund balance	108,071	1,495	(199,546)	(201,041)
Fund balance - beginning of year	353,217	353,217	353,217	-
Fund balance - end of year	\$ 461,288	\$ 354,712	\$ 153,671	\$ (201,041)

October 24, 2007

To the Management and
Board of Directors of
Decatur Hamilton Joint Fire Department

In planning and performing our audit of the financial statements of Decatur Hamilton Joint Fire Department as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Decatur Hamilton Joint Fire Department's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

Financial Statement Preparation Controls

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosures based on the information provided to us by Management. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of Company financial statements. However, if at any point in the audit we as auditors are part of the Company's control system for producing reliable financial statements, auditing standards indicate that the Company has a control deficiency. The preparation of financial statements and disclosures, even from information provided by Management, meets this definition and is, therefore, a control deficiency. We recommend that Management and those charged with governance evaluate and document their informed decision on the costs and benefits of contracting for this service with our firm.

Documentation of Internal Controls

As part of our audit planning procedures, we are required to obtain an understanding of internal control of the Company. Part of the internal control process is the communication of information, including the communication of how internal controls are designed and operating. During our audit planning procedures we noted that documentation of internal control policies and procedures was incomplete. We recommend that the Company completely document and disseminate all internal control policies and procedures in one document. This ensures that all employees understand what their responsibilities in internal control are. In addition, it ensures continuity of internal control procedures in the unfortunate event of employee turnover or unexpected absence. Documentation should not only indicate the flow of documents but also what internal control procedures are performed by each employee and what documentation is required to indicate a procedure was completed. The monitoring process should also be documented in this procedures manual, including who is responsible for monitoring, the minimum monitoring which must be done, and what documentation is required to indicate monitoring was performed.

QuickBooks Accounting Software

We noted that the Company uses QuickBooks for its accounting software. In many cases QuickBooks is the best option for a Company's accounting software and there are very good business reasons to use QuickBooks. It is however important that Management and those charged with governance understand the inherent limitations of the QuickBooks accounting software package. QuickBooks, unlike most other accounting software packages, does not provide for an irreversible closing of fiscal years. Instead, QuickBooks provides an option to password protect the accounting records up through a specific date. We encourage all users of QuickBooks to implement this option and password protect those years which have been audited, after ensuring that QuickBooks records match the audited financial statements. This password protection however does still allow changes to prior periods once the password is entered. The importance of not making changes to password protected periods needs to be instilled in all who know the password. In addition, QuickBooks does not void checks per se. When the void check option is chosen in QuickBooks it in effect deleting the check as of the date the check was written rather than voiding the check as of the date you choose to void it. This poses problems when the check issue date and the void date are in different fiscal years.

There are broad categories of permissions which should be reviewed and set for each particular user, based on their needs. One of these categories is the ability to change or delete transactions and the ability to change or delete transactions before the closing date. Remember that the Admin user automatically has rights to all broad categories, and therefore may not be the correct user set-up for some users. These categories however are very broad. Anyone given access to input accounts receivable invoices has access to record the receipt of accounts receivable monies and create write-offs of accounts receivables. Therefore QuickBooks cannot be relied upon to enforce segregation of duties.

We recommend that you seriously consider the costs and benefits of QuickBooks software as compared to the Company's needs. We also recommend that this consideration be done on an annual basis as facts and circumstances change throughout the year. The accounting software which is appropriate for a start-up entity may not continue to be appropriate for that same entity as it grows. We are neither recommending for nor against continuing to use QuickBooks as the Company's accounting software, we are simply recommending that the decision made by Management and those charged with governance be a fully informed decision.

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October 24, 2007

This communication is intended solely for the information and use of management, the Board of Directors, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Yeo & Yeo, P.C.

Kalamazoo, Michigan
October 24, 2007